

VZCZCXRO0637
RR RUEHJS
DE RUEHJA #1735 2881015
ZNR UUUUU ZZH
R 151015Z OCT 09
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 3592
RUEHJS/AMCONSUL SURABAYA 2549
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS JAKARTA 001735

SIPDIS

DEPT FOR EAP/MTS AND EEB/IFD/OIA
STATE PASS TO USTR EHLERS
COMMERCE FOR 4430/NADJMI
TREASURY FOR T RAND AND G RAO

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ETRD](#) [ID](#)

SUBJECT: YOGYAKARTA'S OPPORTUNITY TO LEARN FROM CALIFORNIA

11. SUMMARY: Yogyakarta's economy has weathered the global financial downturn reasonably well in 2009, bolstered by tourism and education. Local leaders search for ways to attract foreign direct investment (FDI). Action by the local government to renew a dormant partnership with the California Chamber of Commerce could help Yogyakarta learn how to attract FDI. END SUMMARY

STABLE LOCAL ECONOMY

12. Yogyakarta business leaders and government officials were recently confident that the local economy would weather the global economic downturn. Major sectors such as tourism and the city's large education industry continue to drive growth in the city. Yogyakarta officials claimed that tourism from Europe remains robust, despite economic difficulties elsewhere. Nur Syhahrir Rahardjo, head of Yogyakarta's Regional Board of Cooperation and Investment estimated Yogyakarta's economy would grow by 4% for calendar year 2009.

STATE OF FDI

13. In order to encourage further growth the Yogyakarta Board of Cooperation and Investment wishes to attract FDI in agriculture, heritage industries, infrastructure, telecommunications and tourism. Government officials and business leaders are unsure as how to attract new foreign investment to these sectors and were also unsure how to leverage the human capital that Yogyakarta's education sector develops each year.

14. Currently, Yogyakarta's FDI is concentrated in consumer goods and tourist based companies such as Carrefour and Hyatt. Wasesa, Head of Development for City of Yogyakarta, said the presence of multinational companies creates jobs for local residents and also supports the creation of low level food vendors. However, he has concerns as to how Yogyakarta can attract a higher level of FDI in such industries as telecommunications and software.

15. S.R. Yunastuti Daud of the Yogyakarta Chamber of Commerce and Industries said the city hopes to someday have an information technology (IT) center and has spoken with companies from Singapore and Malaysia about potential IT projects. In addition, she hinted at the possibility of the city competing with Bali as a site for business conferences. She admitted that complex regulations and uncertainty over regulatory implementation are still prominent barriers to FDI.

YOGYAKARTA AND CALIFORNIA

16. S.R. Yunastuti Daud referred to a 1997 memorandum of understanding between the California Chamber of Commerce and the Yogyakarta Chamber of Commerce outlining the goal to broaden

economic relations. S.R. Yunastuti Daud said that while the chambers signed the agreement, local ministers were confused as to why California would wish to partner with Yogyakarta and never pursued it. As recent as 2006, Governor Arnold Schwarzenegger called the Governor of Yogyakarta to discuss the partnership. According to S.R. Yunastuti Daud the two never spoke and later Yogyakarta's official contacted the foreign ministry in order to end the partnership.

17. Embassy official advised S.R. Yunastuti Daud that a partnership with the California Chamber of Commerce represented an enormous learning opportunity on how to attract FDI, just as Palo Alto and Santa Clara leverage local universities Stanford and Santa Clara to attract high-tech multinational corporations. A partnership could help Yogyakarta attract FDI from California. S.R. Yunastuti Daud responded enthusiastically to this idea and asked how the relationship might be revived. Embassy will follow up with California state officials to re-establish a dialogue between the regions.

OSIUS